

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 FEA-01 AGR-05 CEA-01 CIAE-00 COME-00

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FM USMISSION EC BRUSSELS

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DEPARTMENT PASS AGRICULTURE, TREASURY AND STR

E.O. 11652: N/A

TAGS: EAGR, ETRD, EEC

SUBJECT: GRAIN DISCUSSIONS WITH THE EC

REF: EC BRUSSELS 2076

1. BEGIN SUMMARY: MARCH 18 DUSCISSIONS BETWEEN US AND EC COMMISSION
OFFICIALS ON THE CONTENT AND PROCEDURE OF FUTURE GRAIN DISCUSSIONS
CONSTITUTED A USEFUL EXCHANGE OF VIEWS AND EFFORT AT COMPROMISE,
BUT IN THE END THERE WAS NO AGREEMENT ON HOW TO PROCEED. THE US SIDE
CALLED FOR SBSTANTIVE NEGOTIATIONS ON RESERVES AT LONDON WHEREAS
THE EC SIDE MAINTAINED THAT THE GRAIN DISCUSSIONS MUST BEGIN AT
GENEVA. RABOT SAID HE WOULD BE IN TOUCH WITH MEMBER STATES TO
SEE IF HE HAD MORE FLEXIBILITY ON THIS POINT AND SUGGESTED THAT
THE US AND EC DELEGATIONS IN GENEVA MEET IN ADVANCE OF THE
MARCH 24 AGRICULTURE CMMITTEE MEETING TO SEE IF FURTHER PROGRESS
WERE POSSIBLE. END SUMMARY.

2. ON MARCH 18 ASSITANT SECRETARY ENDERS, DEPUTY ASSISTANT SECRETARY
BELL, FEKETEKUTY FROM STR, RYSS FROM TREASURY AND AMBASSADOR
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GREENWALD MET WITH HIJZEN, COMMISSION DEPUTY DIRECTOR

GENERAL FOR EXTERNAL RELATIONS, RABOT, DIRECTOR GENERAL FOR AGRICULTURE, AND OTHER COMMISSION OFFICIALS TO DISCUSS THE NATURE OF FUTURE GRAIN NEGOTIATIONS AND THE PROCEDURE FOR CARRYING THEM OUT.

3. ENDERS OUTLINED THE OPTIONS THE US GOVERNMENT IS LOOKING AT. IN THE US VIEWS, A RESERVES AGREEMENT WOULD REQUIRE PARTICIPANTS TO HOLD RESERVES ABOVE THE PIPELINE QUANTITIES NEEDED FOR COMMERCIAL TRANSACTIONS THROUGH THE END OF THE CROP YEAR. RESERVES WOULD BE USED TO MEET SHORT-FALLS IN ANNUAL PRODUCTION WHICH, BASED ON THE HISTORY OF THE PAST TEN YEARS, MIGHT BE EXPECTED TO OCCUR IN THE FUTURE. DECISIONS WOULD BE REQUIRED ON THE SIZE OF A GLOBAL TARGET, THE PROPORTIONATE SHARE ALLOCATED TO PARTICIPANTS, AND THE TIMING AND THE METHOD FOR ACCUMULATING AND RELEASING RESERVES. THE US BELIEVES THAT AQUANTITATIVE INDICATORS RATHER THAN PRICES SHOULD BE THE TRIGGER FOR THE RELEASE OR ACCUMULATION OF STOCKS. THE US RECOGNIZES THAT EVENTUALLY SOME CONNECTION AND ACCOUNTING WOULD BE REQUIRED VIS-A-VIS MTN NEGOTIATIONS.

4. RABOT OUTLINED THE COMMISSION'S VIEW THAT A STOCKPILE WOULD NEED TO FILL TWO FUNCTIONS: (1) TO ESTABLISH FOOD SECURITY; AND (2) TO STABILIZE MARKETS. IN THEIR VIEW THE TWO FUNCTIONS CANNOT BE SEPARATED. THE COMMISSION ASKED A NUMBER OF QUESTIONS ABOUT THE US IDEA OF USING QUANTITATIVE INDICATROS TO TRIGGER STOCKING AND DE-STOCKING. THEY DID NOT PUT FORWARD A PRECISE POSTION, BUT THEY DID EMPHASIZE THAT PRICES WOULD HAVE AN IMPORTANT ROLE TO PLAY.

5. THE PRINCIPAL SUBSTANTIVE DISCUSSION BETWEEN THE TWO DELEGATIONS WAS ON WHETHER THE TRIGGERING MECHANISM FOR ACQUISITION OF STOCKS OR SELLING FROM THE STOCKPILE SHOULD BE A QUQNTITATIVE TRIGGER (US POSITION) OR PRICE TRIGGER (MORE OR LESS THE COMMUNITY POSITION). THE US POINTED TO THE FACT THAT THE PRICE ASPECT OF THE OLD WHEAT AGREEMENT LED T ITS BREAKDOWN WHEREAS THE COMMUNITY FELT THAT PRICE BANDS REENFORCED BY A STOCKPILING AGREEMENT WOULD BE AN EFFECTIVE WAY TO DEAL WITH THE PROBLEM.

6. DEPUTY ASSISTANT SECRETARY BELL SAID IT WAS THE USDA
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VIEW THAT THE MECHANISM FOR HANDLING SHORT SUPPLY SITUATIONS AND SURPLUS SITUATIONS NEED NOT BE SYMMETRICAL AND THAT THE MAIN EMPHASIS SHOULD BE ON DEALING WITH A SHORT SUPPLY SITUATION.

7. THE GROUP THEN TURNED TO A DISCUSSION OF PROCEDURE. THE COMMISSION'S VIEWS REMAINED SIMILAR TO THOSE REPORTED IN REFTEL. HIJZEN AND RABOT STARTED THE DISCUSSION BY STATING IT WAS NECESSARY TO BEGIN TALKS ON CEREALS IN GENEVA SS SOON

AS POSSIBLE. THEY GAVE A NUMBER OF REASONS FOR THIS POSITION:
(A) IT HAD BEEN AGREED IN THE COMMUNITY'S NEGOTIATION
GUIDELINES; (B) THERE WAS A GREAT DEAL OF SUSPICION OF THE
COMMISSION BY THE MEMBER STATES BECAUSE OF THE HISTORY OF
THIS ISSUE; (C) IT WOULD BE DIFFICULT TO AVOID GRAIN NEGOTIATIONS
AT GENEVA BECAUSE OF THE HISTORY OF PRESSURE BY THE UNITED
STATES AND OTHER COUNTRIES FOR MTN PROGRESS IN AGRICULTURE;
(D) IT WILL BE NECESSARY TO HAVE AN ACCOUNTING IN THE MTN.
HIJZEN ADDED THAT IT WOULD BE DIFFICULT TO AVOID CREATION
OF A GRAINS GROUP AFTER OTHER COUNTRIES INSIST ON THE THE CREATION
OF DAIRY, MEAT, AND PERHAPS OTHER COMMODITY GROUPS.
ENDERS RESPONDED THAT THE US FEELS THAT FOOD SECURITY NEEDS
TO BE NEGOTIATED SOON WHEREAS THE MTN NEGOTIATIONS WILL TAKE
SEVERAL YEARS. LONDON TALKS ALLOW FOR THE POSSIBILITY OF
PARTICIPATION BY THE SOVIET UNION; THE LONDON TALKS ARE
ALREADY UNDER WAY; AND THESE CAN BE TIRED IN WITH MTN
AT A SUBSEQUENT TIME. RABOT SAID THAT IF A GRAINS SUB-GROUP
COULD BEGIN WORK AT GENEVA, HE WOULD NOT OBJECT TO CONTINUING
THE WORK IN LONDON. AT ONE POINT, HIJZEN SUGGESTED THAT
THERE COULD BE A GRAINS GROUP CREATED AT GENEVA WHICH WOULD
THEN COMMISSION LONDON TO DO SPECIFIC KINDS OF NEGOTIATIONS.

8. AT THE END OF THE DISCUSSION, RABOT SAID THAT HE DID
NOT AT THE MOMENT SEE A WAY TO SOLVE THE PROBLEM POSED BY
THE PROCEDURAL DIVERGENCES BETWEEN THE TWO DIES. HE SUGGESTED
THAT THE US AND COMMUNITY DELEGATIONS MEET BEFORE THE MARCH 24
SESSION OF THE GATT AGRICULTURE COMMITTEE TO SEE IF PROGRESS
WERE POSSIBLE. (RABOT OR PIZZUTI WILL PROBABLY LEAD THE EC
SIDE.) SUBSEQUENT TO THE FORMAL MEETING, RABOT PRIVATELY
TOLD ENDERS THAT HE WOULD BE IN TOUCH WITH MEMBER STATES TO
SEE IF FURTHER FLEXIBILITY WERE POSSIBLE. ONE SUGGESTION
THAT OCCURRED TO HIM WOULD BE THAT GENEVA WOULD AGREE TO
THE COMMENCEMENT OF WORK IN LONDON WITH A REQUEST THAT
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LONDON PROPOSE A RESERVE SYSTEM, BUT THAT THIS PROPOSAL BE
REFERRED BACK TO GENEVA "BEFORE IT WAS COMPLETED."

9. THIS MESSAGE WAS WRITTEN AFTER THE DEPARTURE OF
ASSISTANT SECRETARY ENDERS.GREENWALD

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